

# Agenda

## **Restrictive regulation is leading to higher energy bills and fewer jobs in the Commonwealth**

1. Opower: Saving energy, saving money
2. Rate Impact Measure (RIM) Test:  
Regulatory hurdle to efficiency sector growth
3. Opportunity: Cut bills, create jobs

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# Opower: Saving energy, saving money

Energy information program that helps all customers—including low-income and renters—save energy and money



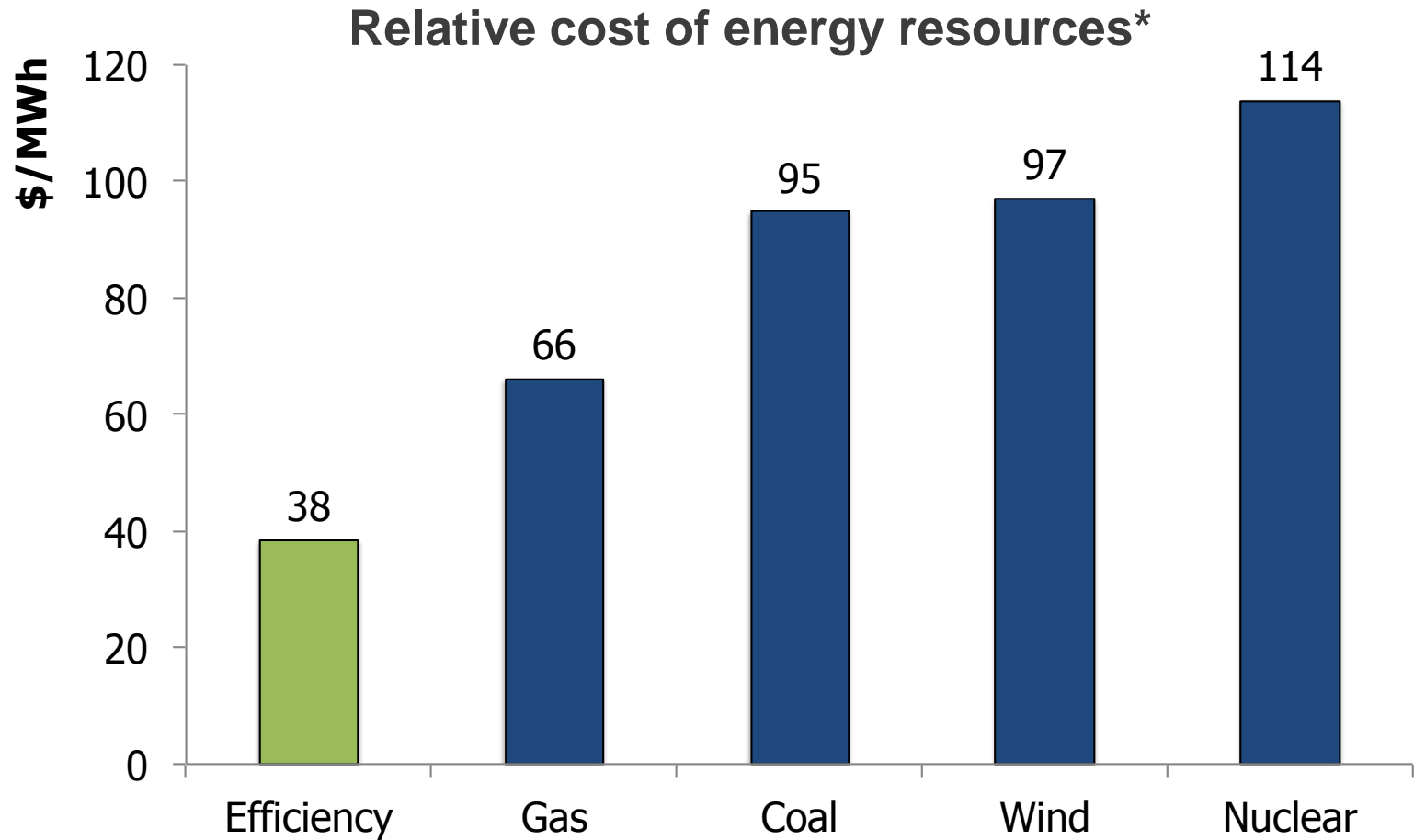
## Company

- 200 employees, HQ in VA
- 59 utility clients, 24 states
- Engage using paper reports, SMS, email, web portal, phone calls

## National Results

- **\$38 million** in customer bill savings (average: \$25-\$50 per household)
- **Over 85%** customer engagement
- **425 GWh** savings, equivalent of taking ~65,000 households off the grid

# Efficiency is the lowest cost energy resource



\* Source: U.S. EIA, Annual Energy Outlook and Form EIA-861

# Energy efficiency is a priority in Virginia

“Conservation is an important energy resource. In addition to developing our diverse domestic sources of energy, we must learn to use the energy we generate as efficiently as possible. **This innovative Virginia company [Opower] is leading the way in creating new tools to help us do that. ”**

**-- Governor Bob McDonnell  
July 2011**

**“The Commonwealth shall have a stated goal of reducing the consumption of electric energy...by the year 2022 by an amount equal to ten percent of the amount of electric energy consumed by retail customers in 2006.”**

**-- Chapter 933 of the 2007 Acts of Assembly**

# Regulators use cost benefit tests, primarily Total Resource Cost (TRC), to approve efficiency

**STEP 1:** Utility submits efficiency and demand response programs to State regulatory body for review

**STEP 2:** State regulator applies one or more cost-benefit tests to programs; most widely used test is the Total Resource Cost (TRC) test

## Total Resource Cost (TRC) test

- Looks at the benefits/costs for the *whole* Commonwealth over time
- Includes savings to ratepayers from not having to build another power plant
- Includes benefits to participants

### Sample of TRC States:

California, Colorado, Delaware, Florida, Illinois, Massachusetts, Missouri, New Hampshire, New Mexico, Rhode Island, Utah

**Total Resource Cost (TRC) test is best able to determine which programs deliver cost-effective energy efficiency**

# But rather than the TRC, Virginia is alone in prioritizing the Rate Impact Measure (RIM)

## Statute gives SCC the authority

“The Commission shall determine which test shall be given greatest weight when preparing a cost-benefit analysis of a demand-side management program.”

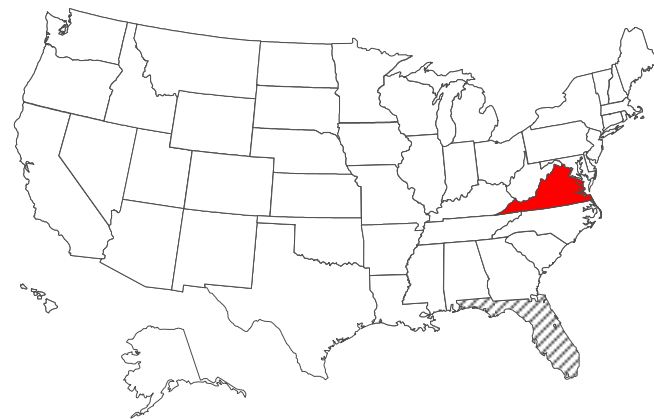
-- VA Acts of Assembly Chapter 855  
Approved 2009



## SCC chose to prioritize the RIM

“In sum, consistent with our general statutory duty, the Commission will **give greatest weight to the RIM test...**”

-- SCC Report to Governor and General Assembly Delivered 2009



## Rate Impact Measure (RIM) test

Assesses the benefits/costs for one group (non-participants) over the short-term. -- **Ignores impact on bills, savings to participants, and avoided cost of new generation.**

\* **Note: Florida's legislature changed from the RIM to TRC in 2008**

# Minor legislative change would fix problem

“The Commission, of course, stands ready to implement any policy decision the General Assembly may deem appropriate. Ultimately, the choice of which of the various tests should be emphasized could be considered a policy decision...”

-- SCC Report to Governor and General Assembly Delivered 2009

One amendment to § 56-585.1.5.c of the Virginia Code can provide the clarity and certainty needed:

## Sample Fix:

“In determining whether to approve a petition for an energy efficiency program, **the Commission shall give priority to a total resource cost test** that assesses all costs and all benefits of efficiency measures regardless of who pays the costs or receives the benefits.”